

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: Internal Audit Final Report: ITEM NUMBER: 9
Payments and Adjustments of Disability
Benefits.
ATTACHMENTS: N/A

ACTION: _____ DATE OF MEETING: November 5, 1998

INFORMATION: X PRESENTER: Mr. Lee

We completed the audit of the Payments and Adjustments of Disability Benefits and related internal controls for the period of January 1, 1996 to September 30, 1997. Our review disclosed the following matters, which require management's attention and action:

- The standard operating procedures for the Disability Services Program covering the scope of this audit were not updated. According to Government Code Sections 13400 –13407, elements of a satisfactory system of internal and administrative controls include an established system of practices to be followed in the performance of duties and functions within the agency. As a result of this finding, the review and update of the Disability Program policies and procedures was assigned to division staff in August of 1998.
- In some cases, the on-line system did not reflect final compensation information for members whose accounts were over-ridden during the calculation process. The on-line system does not always contain complete information regarding an option selection. In order to obtain all relevant data and complete the final compensation calculation, a technician has to over-ride the existing final compensation information.

Information that reflects an over-ride will not be picked up by the system once START is implemented; therefore, a decision must be made in regards to which information is most essential to the disability calculation process. The Disability Services Division concurred with the audit finding. The division's START experts are aware of the variance in the current on-line system and additional considerations are being made as to what data is most critical to the integrity of information captured in the calculation process.

- Calculation forms did not always reflect the date and initial of the person responsible for performing the calculation. The lack of signatures and dates on the calculation forms made it difficult to determine who performed the calculation and if the calculation was performed in a timely manner. According to SAM Sections

Internal Audit Final Report
Budgets & Audits Committee – Item 9
November 5, 1998
Page 2

13400-13407, the elements of satisfactory system of internal and administrative control include a system of authorization adequate to provide effective control over assets. The Disability Services Division concurred with the audit finding. Staff review of manual calculation forms will be addressed as part of the Section's review and update of its policies and procedures.